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14 September 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

Army, Navy, DIA and State
Dept. review(s) completed.

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SECTION 1 (SOVIET)

1. USSR: Soviet Ambassador returns to Peiping: N. V. Roshchin, Soviet Ambassador to the Chinese People's Republic, arrived in Peiping by plane on 12 September, according to Radio Peiping. [REDACTED]

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2. Inauguration of through air service between Peiping and East Europe: Through air service between Peiping and East Europe via Moscow was inaugurated on 29 August, according to the Peiping People's Daily. These operations are supposedly the joint enterprise of the Sino-Soviet Civil Aviation Co. and the Soviet Civil Aviation Co. [REDACTED]

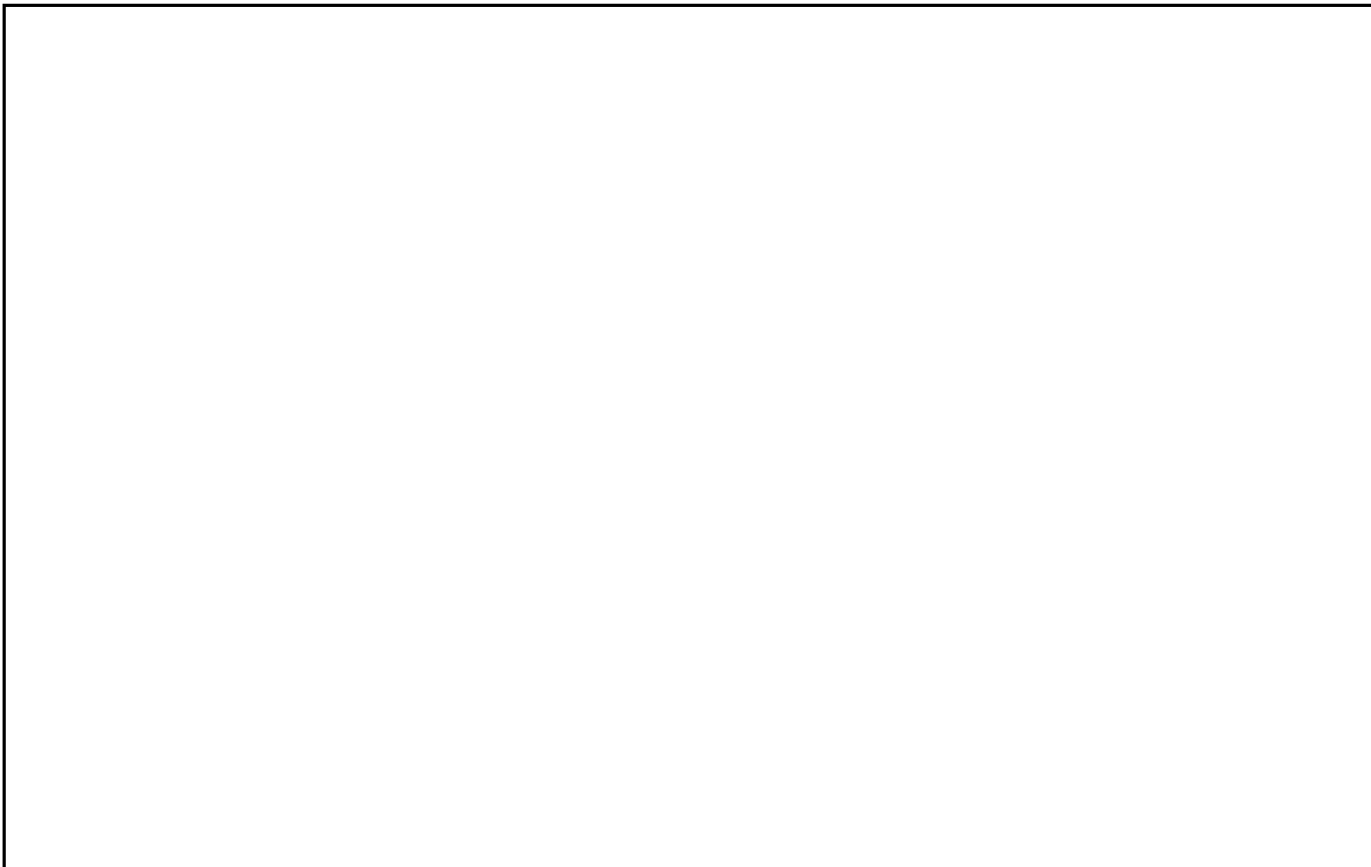
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Comment: When the Sino-Soviet Civil Aviation Joint Stock Corporation began operations in September 1950, it announced that it would provide regular service from Peiping through the Northwest to Alma Ata and Irkutsk twice weekly and to Chita three times a week. According to reports, it is believed that fairly regular schedules are maintained and that Russian-built aircraft, possibly L1-2's, are used. In April of this year, the company made substantial reductions in passenger and freight fares for the Peiping-Alma Ata line, explaining it wished to encourage air transport in the Northwest.

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5. YUGOSLAVIA. Proposed US arms aid Supervisory Group deemed too large: Assistant Foreign Minister Mates has informed the US Embassy in Belgrade that the Yugoslav Government considers the size of the military staff proposed by the US to supervise the US military assistance program for Yugoslavia too high for an initial quota. Mates indicated that his government would accept this number if the US insisted, but would prefer that the liaison group be allowed to expand gradually in accordance with developments. He also expressed concern over the way in which this group's function of observing and reporting on the end-use and maintenance of US equipment would work out. He was concerned that US officers would insist on indiscriminate access to various units without resorting to the proper channels, and suggested that this point should be discussed with highest US Army authorities.
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Comment: The US has requested that a staff of 15 officers and an equal number of enlisted personnel and civilians be established within the US Embassy in Belgrade to supervise the US arms program. This group would operate under its own chief and would have direct access to Yugoslav military staff organs.

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6. INTERNATIONAL COMMUNISM. American public opinion named as target for Italian Communists: Pietro Nenni, Vice President of the World Peace Council and Secretary-General of the Italian Socialist Party, in Budapest at the invitation of the Hungarian Peace Council, stated, among other things, at a press conference that the three aims of the Italian Socialist Party at present are:

- (1) to awaken the vigilance of American public opinion;
- (2) to extend the movement for a five power peace pact and win the friendship of the British Laborite movement; and
- (3) to intensify international rallies, the prospective International Economic Conference in Moscow being of prime importance.

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Comment: The last two points are recognized high spots of Soviet interest and endeavor, but the first point is new as an expressed intention of European Communists. It is not clear how the fellow-traveling Nenni Socialists propose to "awaken" American public opinion. As part of that campaign, they might well plan to emulate the action taken by the US in the 1948 Italian elections when Americans of Italian origin were asked to use their influence with their Italian contacts and successfully aided the anti-Communist vote. Assuming that Nenni meant "American" opinion in the European sense, which would include all of the Americas, some Italo-American support for the phony "peace" campaign directed against American rearmament might be gained in that way. Nenni's claim, in the same news conference, that the Atlantic Alliance and "war preparations" have retarded Italy's democratic progress and jeopardized her economic development could have some effect in South American countries such as Argentina where there is a large Italian colony. This is certainly a line which will be used at the Moscow Economic Conference.

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SECTION 2 (EASTERN)

1. GREECE. Greece alarmed over effects of anticipated cut in US aid: Greece is increasingly alarmed at the possibility of a drastic cut in American aid, according to a US Embassy report from Athens. While economy could be effected in a few areas, the total possible saving could not approach the amount reflected in the congressional authorization. Substantial reductions could be effected only in (1) food and essential consumer goods, necessary for health and morale of the population, (2) raw materials and fuel, necessary to maintain the modest level of industrial employment, or (3) the reconstruction program, necessary to permit eventual self-supporting economy. Although 45 per cent of the Greek budget is earmarked for the armed forces, the US must still contribute a substantial amount in order to maintain the necessary strength of the army; consequently, the necessity of diverting some of the defense budget to the support of the civilian economy would seriously affect the efficiency of the Greek armed forces. The embassy estimates that a total saving of not more than 15 per cent could be effected without serious repercussions on the Greek economy. [REDACTED]

2. INDIA/PAKISTAN. UN representative for Kashmir leaves South Asia: Dr. Frank Graham, UN representative to India and Pakistan for Kashmir, left Karachi on 12 September, concluding a more than two months' visit to South Asia. Little is known at this time of the conclusions made by Dr. Graham pointing toward a solution of the Kashmir issue. It has been reported that he presented to each country certain papers, believed to be identical, requesting their views on certain proposals for demilitarization. Pakistan has agreed to proposed demilitarization and India has agreed in principle. [REDACTED]

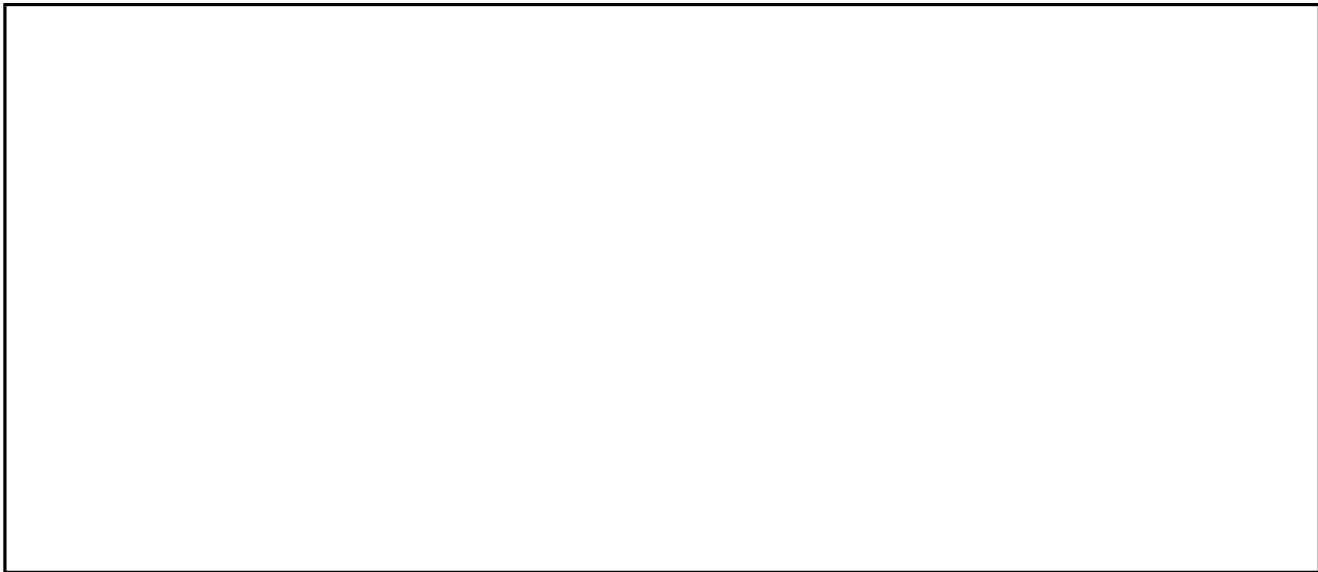
Comment: The fact that demilitarization proposals have received at least qualified acceptance from both countries leaves the door open for further negotiations.

3. BURMA. Burma to send goodwill mission to China: Burma and Communist China have agreed to exchange goodwill missions. [REDACTED]

Comment: Plans for a Chinese goodwill mission to Bruma have been reported previously. This report is the first indication that the Burmese are reciprocating, although it is logical that they would do so.

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5. Sino-Soviet Friendship Associations claim 15,000,000 members:
Peiping radio asserts that 15,031,377 Chinese now belong to Sino-Soviet Friendship Associations throughout China. The broadcast further notes that the SSFA's, in spite of the "shortcomings of cadres and finance," have widely disseminated friendship's message. [REDACTED]
- [REDACTED]

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Comment: The SSFA's were launched in July 1949 for the stated purpose of promoting closer "cultural" ties between Communist China and the USSR. A year ago the SSFA's claimed only 3,000,000 members, but in February 1951 announced a goal for 1951 of 20,000,000; the goal will doubtless be reached. The SSFA's are of course instruments for justifying and mobilizing support for the Sino-Soviet alliance, but the broadcast implies that the Chinese generally are not eager to work with or give money to them.



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12. ROK suggests new counter-inflation measure: The ROK Ministry of Finance, in expectation of full or partial dollar settlement of their large won loan to the UN military command in Korea, anticipates issuing dollar bonds (two years maturity at two percent) to be subscribed for and paid in won. These bonds will be secured by US dollars derived from such a repayment. The bonds will have the dual effect of further attempting to stem inflation and protecting the investor against further won devaluation. 25X1

Comment: This suggestion by the ROK Ministry of Finance is noteworthy and sensible. The US Mission in Korea has recently emphasized the sincere effort being made by the ROK Government to bring the present ruinous inflation under control.

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13. JAPAN. SCAP grants Japanese Government power to negotiate with foreign missions: SCAP has granted the Japanese Government broad authority to negotiate directly with Foreign Diplomatic Missions in Japan, according to an announcement of the Foreign Ministry on 13 September. Any agreements or treaties with foreign powers, however, will have to be submitted to SCAP for prior approval.

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Comment: This authority, which continues the recent SCAP policy of gradually restoring powers to the Japanese, was almost a requisite in view of the extensive negotiations on fishing, commercial agreements and reparations required of the Japanese by the peace treaty. It presumably will not permit direct negotiations with Soviet diplomatic personnel, who are in Japan only to represent the USSR on the Allied Council.

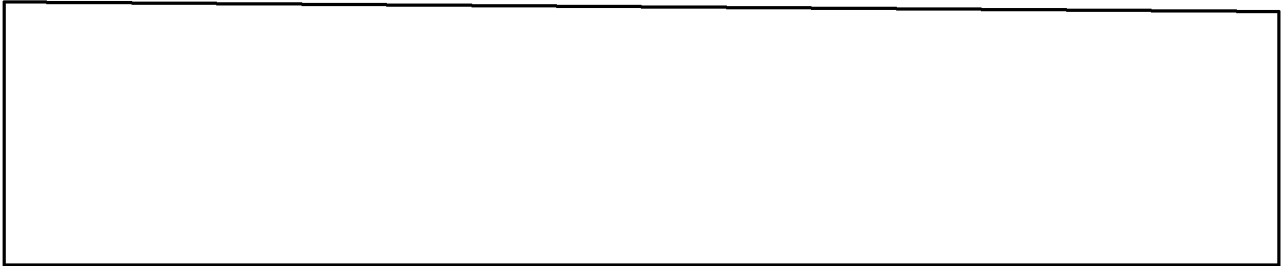
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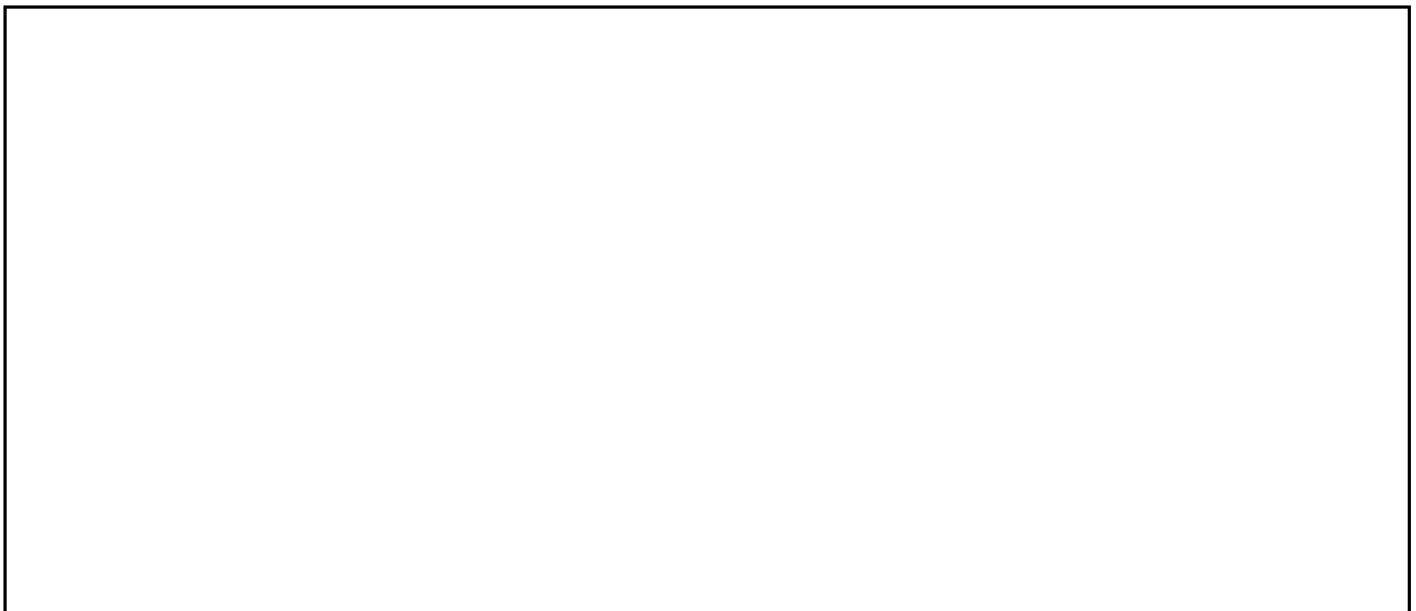
4. AUSTRIA. Communists plan payment strike against new rent law: Top Austrian officials report that Communists in the Soviet zone will encourage tenants to refuse en masse to pay rent increases scheduled under the new rent law. The "payment strike" will allegedly be coupled with a popular demonstration on 20 September when the bill will be introduced in parliament.

A propaganda offensive against the new law has already been launched by the Communist press, and "tenant conferences" have been announced. Austrian officials discount the possibility of serious difficulties, pointing out that trade unions support the measure and that the rent increases will be used for property improvements. 

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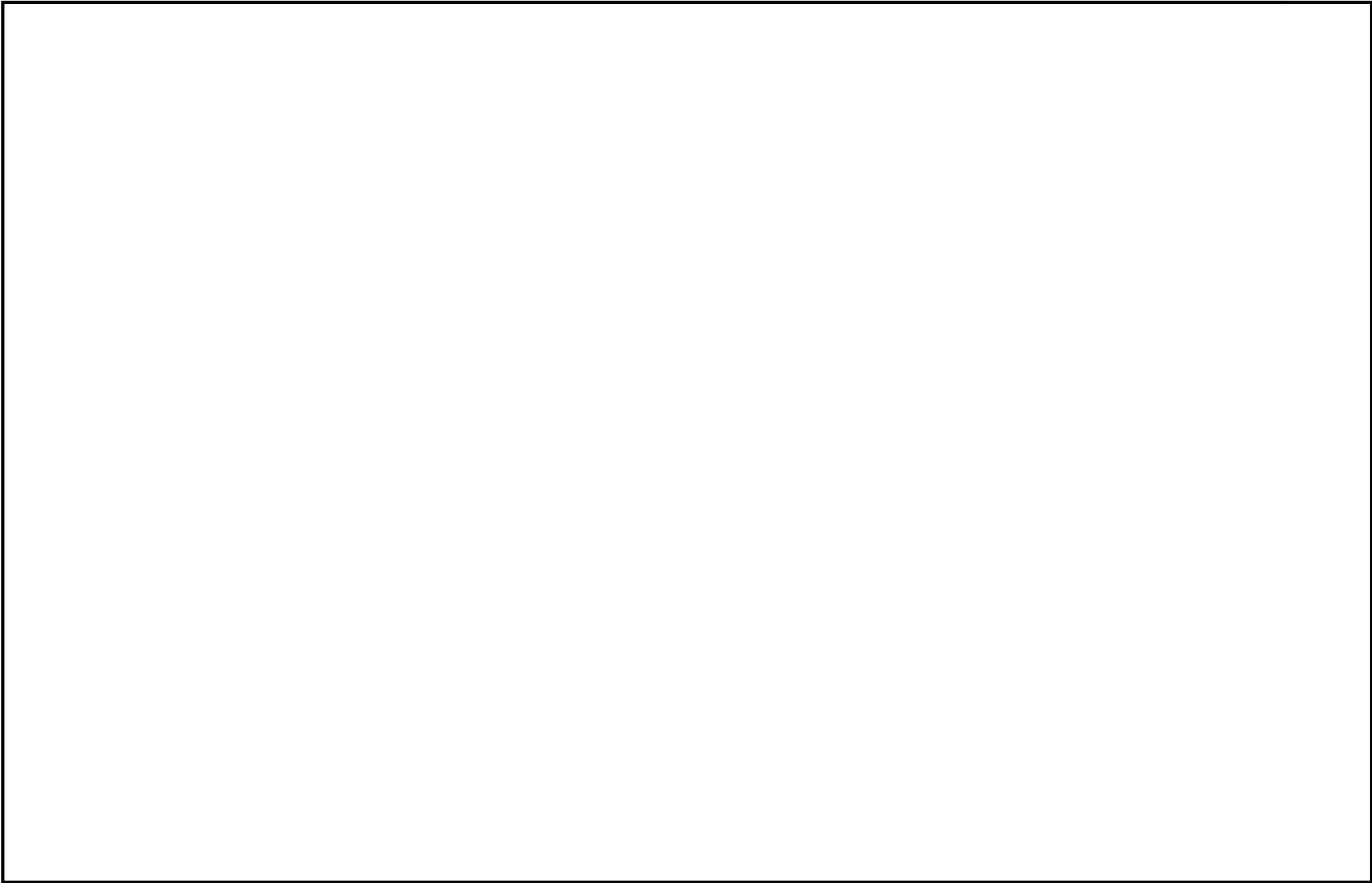
Comment: The new rent measure will provide the Communists with the first opportunity since the fifth wage-price agreement to attempt to win popular support on an issue of general concern. While Austrian officials have in general doubted Communist capacities to create a major crisis, a test of strength may provide a useful preview of what may be anticipated later in the fall. Although Austria's rents have continued amazingly low since the war and there is agreement that rents must be raised, the coalition parties are unfortunately not fully in harmony on the form the law should take.

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7. SCANDINAVIA. Denmark and Norway might send troops to Korea: The Danish Foreign Minister stated that if the Korean truce talks break down Denmark would consider despatching a 1,000-man volunteer battalion to Korea. He expressed a belief that Norway would also actively consider the question.
- [REDACTED]

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Comment: Denmark and Norway, like Sweden, have hitherto confined their contribution to the UN Korean war to medical and other non-military aid. After parliamentary approval has been obtained, Denmark and Norway may quite probably make a token military contribution; but it is hardly likely that Sweden will furnish any troops.

8. DENMARK. Prime minister makes new cabinet appointments: Prime Minister Erik Eriksen has filled two vacancies in his coalition cabinet. Jens Sønderup, a member of the prime minister's Moderate Liberal Party, leaves the Ministry of Ecclesiastical Affairs to become Minister of Agriculture in place of another Moderate Liberal who has resigned because of illness.

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Carl Hermansen, Moderate-Liberal Minister of Ecclesiastical Affairs from 1945 to 1947, resumes that post. Aage Ritter, prominent brewer and tobacco manufacturer, replaces as Minister of Commerce a Conservative who has resigned to devote more time to civic affairs in Copenhagen. [REDACTED]

Comment: These ministerial changes do not affect the stability of the government.

9. COLOMBIA. Comment on the congressional elections: The Conservative Party will be virtually unopposed in the 16 September elections for the Senate and Chamber of Deputies. The Liberal Party, the major opposition group, has directed its members to abstain from the elections. The only opposition will be that of the numerically insignificant Communist Party and that of a small group of dissident Liberals.

Abstention from elections is not unusual in Colombia. The opposition party customarily estimates its chances of success in advance and, if its chances are not good, it abstains from the election. In the present case, the Conservative Party, in order to produce a semblance of a two-party election, may make an arrangement by which some members of the dissident Liberal group will be elected. In any case, the elections will provide the Conservative administration with a majority in Congress which will permit the lifting of the state of siege, which has been in effect in Colombia since November 1949, without risking the repudiation of all the decree-laws of the interim period.

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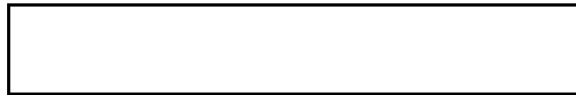
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SECTION 2 (EASTERN)

1. TURKEY. Turks urge caution in approaching Egypt on Middle East Command: In talking with the US Ambassador in Ankara about the Middle East Command, the Turkish Foreign Minister stated that his efforts to improve Arab-Turkish relations had received a setback by the untimely UN consideration of the Suez Canal restrictions. He is willing to discuss with the US, the UK, and France the broad question of associating Egypt with Middle East defense plans but not the technical question of a Middle East Command. Such questions, according to the foreign minister, cannot be discussed formally until all the NATO countries and the Turkish Parliament have ratified Turkish admission to NATO.

The foreign minister appreciates the British sense of urgency, but feels that an early demarche to Egypt on participation in the Middle East Command would not have the desired effect. Egypt would sense the pressure and begin to bargain. He feels that the initial approach to Egypt should be made by the US and Turkey, without Britain.

SECTION 3 (WESTERN)

2. SWITZERLAND. Swiss feel balance of power is again moving in favor of the US: The Neue Zurcher Zeitung, press organ of the most influential Swiss political party, terms the San Francisco conference "a complete success for American foreign policy leaders." It comments further that the signing of the treaty will bring about a shift in the Far Eastern balance of power, impairing the position of the Soviet Union and its allies through the political and partially military reactivation of Japan. The article adds that the Korean war has clearly shown how dangerous and exposed Western Europe's position gets when America's forces are politically and militarily engaged in the Far East.

At the same time Austrian Foreign Minister Gruber has made the observation that he thinks there is some tendency in Switzerland today to back away from a rigid concept of neutrality.

Comment: The Neue Zurcher Zeitung's reaction to the San Francisco conference probably represents Swiss public opinion in general. It is a further indication that the Swiss may now feel the balance of power is swinging in favor of the US and its allies, and may account for the slightly more liberal interpretation of neutrality by the Swiss. At the time when the Communists gained control of China, the Swiss warned of the necessity for western rearmament and began enforcing a stricter degree of neutrality.

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